

House Republican Press Release

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Press Office: 860-240-8700

Reps. Stone, Tymniak Opposes \$31-Billion Budget



*Says Legislature Takes Millions More from
Fairfield, Returns Little , Concludes that Tax Hikes
Send a Message, "Move to Another State"*

State Representatives Jack Stone (R-134th) and Cathy C. Tymniak (R-133rd) have voted against a proposed \$31-billion, two-year budget that increases state spending by 12.2 percent over the next two years.

Rep. Tymniak said, "Fairfield sends about \$100 million to Hartford in state income taxes and receives back approximately \$6 million in state formula grants. The new taxes imposed in this budget will tax Fairfielders additional millions for an increase to our town in school and town aid of \$231,670 more than the governor's budget."

She added, "Once again the thirst for taxpayers dollars will be at the expense of Fairfield County, which receives back only a fraction of the taxes we send to Hartford."

Particularly, she criticized the budget for reinstating the Connecticut death tax on estates above \$2 million and adding a 20 percent surcharge on corporate income taxes.

Rep. Tymniak said, "This budget sends a message to people who have saved all their lives, 'Move elsewhere.' It tells businesses, 'Take your jobs somewhere else.'"

Rep. Stone said, "Connecticut is still recovering the 156,000 jobs lost in the 1989-1993 economic slowdown. Connecticut is still lagging the nation in job growth, income growth and job creation. We should encourage businesses to come here, not send them away to other state and other nations."

Rep. Stone added, "At the rate we are going, the only business that will be profitable would be the moving business."

Rep. Stone said, "The legislature is failing to use common sense in developing the budget. It does things backwards. It decides how much it wants to spend and then goes looking for revenue to fund it. Don't you wish you could run your household that way? To meet all your spending needs, you could hit up your friends and neighbors to fund your lifestyle. The legislature should decide first how much revenue is available and then adjust spending to stay within those revenues."

Reps. Stone and Tymniak, both members of the legislature's Appropriations Committee, said the legislature raised taxes in 2003 and 2004. It is ending this fiscal year with a \$702 million surplus, and yet the legislature feels the need to raise taxes again.

They noted that virtually all of the anticipated surplus will be spent.

Rep. Tymniak said, "It is astonishing that, after all the state has been through, that about 90 percent of this surplus is being spent on various programs and only \$70 million will be returned to the state Rainy Day Fund for future emergencies. This is a glaring example of uncontrolled spending practices."

Rep. Tymniak said the legislature is not being honest about honoring the state spending cap that is supposed to limit annual spending increases to about four to five percent a year. Rep. Tymniak noted that about \$600 million in proposed expenditures are excluded from spending cap calculations, including a new nursing home tax.

Rep. Stone also criticized the legislature's failure to restore the annual \$500 property tax credit that taxpayers receive when filing their annual state income tax returns. The \$500 credit was reduced during fiscal hard times a few years ago to \$350. The credit is scheduled increase to \$400 in 2006.

Further, Rep. Stone questioned the inclusion of an \$18-million slush fund for which no uses have been identified and which will be allocated at the direction of the House and Senate Democratic majority leadership.

Reps. Stone and Tymniak supported several amendments, which the legislative majority rejected:

- Exempting 50 percent of military retirement pay from the state income tax
- Exempting 50 percent of all public and private pension benefits from the state income tax
- Exempting family farms from the state death tax
- Exempting primary residences from the state death tax to encourage farmland preservation and not development
- Eliminating the 20 percent corporate income tax surcharge
- Protecting payments collected on consumers' electric bills for the Conservation and Load Management Fund from being raided for General Fund purposes. Rep. Tymniak said taking money from utility bills is the most regressive form of taxation.

The budget passed the state House of Representative mostly along party lines, and now goes to the state Senate and then to the governor for her signature.

Other elements of the budget are as follows:

- The budget breaks the spending cap in three consecutive years. The declarations in each year to not include certain expenditures keep spending below the cap.
- The budget increases spending by 8.9% in the first year of the biennium. This is hardly the minimal growth needed to get through a major deficit.
- Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- To maintain the illusion that the deficit is eliminated, the budget employs about \$300 million each year in gimmicks. These build a hole in the outyears.
- To pay for the spending package, this budget spends close to \$650 million of the projected \$700 million surplus.
- The tax package includes almost \$738 million in new and deferred tax increases over the biennium. The centerpieces of these taxes are the estate tax and the corporate surcharge.
- Bridgeport, Hartford, and New Haven receive \$20 million or 32% of the total \$62 million in education funding. The student population represents only 11.9% of all students.
- Of the entire \$90 million increase in municipal aid, those same big cities receive \$28 million or about 31% of the total increase. The total population of the three towns represents only 11.4% of the state's total population.
- The budget sets aside \$18 million over the biennium as a slush fund.

Spending Cap

The OFA analysis indicates that the two years of the biennial budget are slightly under the spending cap. Without declaration from the Governor, the budget in both years exceeds the cap by over \$200 million. More importantly, spending in the current fiscal year exceeds the cap by hundreds of millions of dollars. This budget proposal violates the cap not once or twice, but three times.

How does this budget close the budget gap?

- Spending Cuts – Not only is there not a penny of net spending cuts in the budget, the spending portion actually worsens the gap by exceeding current law spending by over \$110 million.
- Gimmicks – The absence of any spending cuts is masked by the use of surplus in the budget. Surplus money is appropriated this fiscal year and carried forward into the next two years in order to maintain the illusion of being under the cap. One-shot revenues total about \$300 million
- Taxes – The tax package includes almost \$400 million in new and deferred tax increases. The centerpiece of these taxes are the estate tax and the corporate surcharge.